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MNDY.OQ - Q2 2021 Monday.Com Ltd Earnings Call

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## PRESENTATION

**Operator**

Ladies and gentlemen, thank you for standing by and welcome to the monday.com Q2 fiscal 2021 earnings call. (Operator Instructions). I would now like to turn the call over to your host, Keenan Zopf. You may begin.

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**Keenan Zopf** - *The Blueshirt Group LLC - IR*

Certain statements made on the call today may be forward-looking statements which reflect management's best judgment based on currently available information. These statements involve risks and uncertainties that may cause actual results to differ from our expectations. Please refer to our earnings release for more information on the specific factors that could cause actual results to differ materially from our forward-looking statements.

Additionally, non-GAAP financial measures may be discussed on the call. Reconciliations to the most directly comparable GAAP financial measures are available in the earnings release and the earnings presentation for today's call, which is posted on our Investor Relations webpage at IR.monday.com. With that I will turn the call over to Roy Mann, Co-CEO of monday.com.

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**Roy Mann** - *monday.com Ltd. - Co-Founder & Co-CEO*

Thank you and thank you, everyone, for joining us today. We are very excited to have completed the successful IPO and to announce very strong results for our first quarter as a public company. As you've seen from our press release, our business continues to accelerate across revenues, pay customers and customer expansion. We generated $70.6 million in revenue, up 94% year-over-year.



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Eliran, our CFO, will provide you with more financial detail and commentary on what drove Q2 results. He will also provide our guidance for the rest of the year. Since this is our first earnings call as a public company, I'd like to take a few minutes to tell you a bit about monday.com. We have also posted a slide deck on our IR website that provides you with additional color on our business and a review for our Q2 financials.

When we first started monday.com we started it with a mission, to give our customers the power to create their own work software. To do that we revolutionized the way people use software, giving them the same low code/no code capabilities once reserved for software creators and designers.

Today, more than nine years later, our customers use monday.com in ways we could have never imagined, across virtually limitless use cases and in organizations of all sizes. With that mission we are leading in a new category called Work OS. Eran?

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**Eran Zinman** - *monday.com Ltd. - Co-Founder & Co-CEO*

Thank you, Roy. Before we dive deeper into our platform, we'd like to highlight our market opportunity. Our Work OS is broadly explicable for any organization and team across a growing number of use cases. According to estimates from IDC, our total addressable market was $56.1 billion in 2020, and will grow to $87.6 billion in 2024. Further, we believe our Work OS platform is applicable across the 1.25 billion information workers that industry analysts estimate exist globally.

Now, let's dive deeper into our platform. Our cloud-based platform is a no code/low code framework. It consists of modular building blocks that allow our customers to create their own software applications and work management tools. By using our platform our customers can simplify and accelerate their digital transformation, create a unified workspace across departments, and increase operational efficiency and productivity.

Our software is simple enough for anyone to use; yet it is powerful enough to drive core functionality within any organization. Our platform also integrates with other systems and applications, creating a new connective layer for organizations that links departments and bridges information silos. We believe this makes our Work OS a core solution that customers can rely on to run their business.

Our customers are our partners. We are continuously molding our partner future together. We distinguished customers with more than 10 users from our broader customer base, and they are the core focus of our sales and marketing efforts. The revenue growth rate of our customers with more than 10 users has outpaced the rest of the business in each of our previous fiscal years and our expectation is that such customers will continue to grow in the future.

Moreover, our ability to successfully move upmarket is demonstrated by the consistent growth in a number of our enterprise customers, which we define as customers with more than $50,000 in ARR. We ended the quarter with 470 enterprise customers compared to only 144 in the year ago quarter, an increase of 226%.

We employ an efficient go-to-market model, combining our extensive self-service funnel and a direct sales approach, which consists primarily of our sales team, our customer success and partner teams as well as our apps marketplace.

I want to share some of our product solution go-to-market approach. Product solutions are complete products, horizontal or vertical, built on top of the Work OS platform. This allows customers with different intents to find and adopt monday. Now, I will turn this over to Roy to discuss our apps and apps marketplace.

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**Roy Mann** - *monday.com Ltd. - Co-Founder & Co-CEO*

Thank you, Eran. We took our no limits approach to new heights to allow any developer to build on top of monday.com with monday apps. We added even more freedom with our apps marketplace where each customer can extend the platform on their own. This no limits approach leads to happy customers that not only love our product but also feel they are a part of our journey.



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As the number of our customers grew we heard more and more stories on how we changed their business and, for some, their lives. We began to feel an ever growing sense of responsibility, a responsibility to be there for our customers with world-class support and an ever improving platform that allows them to do anything their business demands or their imagination takes them towards.

This responsibility extends towards the communities we live in as well. We saw the amazing impact monday.com has on nonprofit organizations. From work we have done together we see that many nonprofit organizations have a massive technological divide, a divide that prevents them from making the impact that they seek. Our Equal Impact initiative aims to close that digital divide with long-term, ambitious goals for making a lasting impact on nonprofit organizations.

With our knowledge and resources in digital transformation, running business and scaling teams, we aim to be a partner for the world's nonprofit organizations who want to make a positive change for all of us.

I want to give a quick shout out to our employees. monday.com's success happened only because of our amazing employees and the strong culture of transparency, ownership and trust we have built together. All of us at monday feel we share the same goal and walk on the same path forward.

We believe that we are on the cusp of a massive change in work software. If the last 10 years were defined by the SaaS cloud, then the next 10 years will be focused on giving people the power to create software that fits their own needs. We believe that we are best positioned to be the leaders in this change. We have built the company to take such an opportunity head on while keeping our culture our values and the love we still have towards creating beautiful powerful digital products.

Today we are thrilled to introduce a completely new capability to monday.com's Work OS platform, monday workdocs. Workdocs represents the next step in our Work OS platform. Documents provide a great canvas for people to start their work in. We see this as a massive opportunity to expand how monday is adopted so our customers can create no code/low code work software.

With monday workdocs our customers now have the ability to manage their work, ideas and data in a completely unstructured way. Our workdocs include two powerful technologies embedded in them: our real-time engine and document connectivity. We believe document-based collaboration is crucial for many work processes.

That's why we've built our real-time engine from scratch. It's a completely new technology that allows for hundreds of people to work together on the same document. It's a strong foundation that will allow us to take document collaboration to uncharted territories.

Another critical part of our workdocs is that they are connected to other applications. We see this as part of our connectivity layer that the Work OS provides. We allowed any monday object such as widgets, charts and views to be embedded into documents. This means that our workdocs have live objects that update in real time whenever their source of data changes. So, monday workdocs are never stale because they are connected documents. This makes workdocs another no code way for our customers to build work applications on top of monday.com Work OS.

Traditional documents were never designed to be used in the way many teams use them today. Teams use documents to start work processes and collaborate together, but the documents themselves were never created to support this. We see this as an opportunity to turn these beginnings of documents into real work tools that people can use to work together better.

Workdocs represent the next step in our journey to give our customers the ability to create their own work software, no matter how they begin or continue their work. Until now boards where the sole entry point to our platform. Workdocs are an additional unstructured, more flexible way to onboard and deepen adoption in companies. Workdocs are now live and working on monday's Work OS and are available to all our plans. Eran?

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**Eran Zinman** - *monday.com Ltd. - Co-Founder & Co-CEO*

Thank you, Roy. In Q2 we officially launched a free tier of monday.com Work OS. This is geared to small teams and limited only to two users. We believe that this is an excellent way to drive awareness and broader adoption among a new set of audiences. We are encouraged by the early response to the free offering and see this as a way to seed monday usage and ultimately drive conversion to enterprise customers.



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We had a great quarter in terms of customer wins and expansions. These were broad-based across industry verticals with major companies including Headspace, Mintel, Adyen and Wellington Altus.

Let's talk about Headspace as an example. Headspace is a very well-known mindfulness and meditation app dedicated to improving the health and happiness of the world. Headspace has begun to use monday.com Work OS to increase collaboration and efficiency for all of their marketing and creative processes across the globe.

In order to win subscription-based companies like Headspace must operate real-time, adjusting to changes in each of their markets every day, which is why they chose our platform. This win is another example of how monday can help high-growth global companies and we are very happy to be a part of their growth and success.

During Q2 we continued to expand our partnership ecosystem. To that end we kicked off new strategic alliances with global systems integrators across key industries such as manufacturing and real estate including Hitachi Solutions and NTT-Data.

We accelerated our growth and expansion into the Latin America market with new channel partners, customer deals, increasing our ARR in this region. As part of our expansion into new markets, we also added Polish as an additional language available on our platform, increasing the total number of languages to 14.

One of the things that we are most excited about is that we are truly developing a monday.com ecosystem of third parties, interfaces, partners and developers that collectively drive usage and multiple monetization opportunities. You will be hearing much more from us on this front in the coming quarters and years.

As I hope has come through in our presentation and our comments today, monday.com is a highly differentiated company with a strong and unique point of view about the future of work and collaboration. We are capturing a massive market opportunity that is expected to reach over $85 billion in the next few years. monday.com can help drive results for almost every business of every size around the world.

We are very excited to speak with the analysts covering the Company and the investors who are joining us on this journey today. I'll turn it over to Eliran to cover our financials and guidance.

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**Eliran Glazer** - *monday.com Ltd. - CFO*

Thank you, Roy and Eran, and thank you to everyone for joining our call today. We are very excited about the opportunities we see for the Company to continue to grow and evolve. I will go through our second-quarter results, then discuss in more detail the business and close with guidance.

We were pleased with the results for the quarter, which demonstrated continued high-growth at scale. Revenue in the second quarter came in at $70.6 million, up 94% year-over-year led by large expansions within our existing customer base.

Our net dollar retention rate for customers with more than 10 users was over 125% and our net dollar retention rate for all customers was over 111%. As a reminder, our net dollar retention rate is a trailing four quarter weighted average calculation.

Also our focus on moving upmarket is working. We ended the quarter with 470 enterprise customers, up 226% from 144% in the year-ago quarter.

On the hiring front, during the last two quarters, we added more than 170 employees to monday.com, particularly focusing on R&D and sales and marketing. These new hires account for more than 70% of the new talent added during this period. We ended Q2 with more than 850 employees globally and we plan to continue investing aggressively in adding new talent with a focus on R&D and our enterprise sales force.

Next, I'll provide more detail on the second-quarter financial results. Before turning to expense items and profitability, I would like to point out that, unless otherwise noted, all metrics are non-GAAP. We have provided a reconciliation of GAAP to non-GAAP financials in our earnings release.



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Gross margin came in at 89.7%, up from 88.3% in the year-ago quarter. Research and development expense was $11.2 million or 16% compared to 20% in the year-ago quarter. We continue to invest significantly in R&D, including high growth in our engineering headcount, but the pace of our revenue growth has outpaced the investment growth.

Sales and marketing expense was $55.5 million or 79% of revenue compared to 101% in the year-ago quarter. The improvement was driven primarily by lower marketing investments as we are becoming more efficient, allocating our marketing spend to focus on customers with 10-plus users and enterprise customers.

We continue to make substantial investments in our sales organization and have significantly expanded our sales team over the last year. Similar to R&D, the pace of our revenue growth has outpaced the investment growth.

G&A expense was $6.5 million or 9% of revenue, compared to 8% in the year-ago quarter reflecting increased costs of being a public company. Operating loss was $9.9 million and operating loss margin came in at 14%. Net loss was $11.3 million and loss per share was negative $0.26.

Moving on to the balance sheet and cash flow. We ended the quarter with approximately $878 million in cash, cash equivalents, short-term deposits and restricted cash. Net cash used in operating activities was $0.4 million in the quarter. Adjusted free cash flow was negative $1.5 million and was driven by strong collection stemming from our strong billings in Q4 and Q1.

Adjusted free cash flow is defined as net cash from operating activities, less cash used for property and equipment and capitalized software costs, excluding nonrecurring items such as costs related to the build out of our corporate headquarter in Tel Aviv.

Now turning to our outlook for the third quarter and the full year of 2021. We believe we can deliver high growth for the foreseeable future as we are addressing a large and growing market, and we believe we are well-positioned to be one of the long-term winners in this space.

There are more than 1 billion global knowledge workers today that could potentially use monday. We are introducing Q3 and full-year guidance as follows. For the third quarter of fiscal year 2021 we expect our revenue to be in the range of $74 million to $75 million, representing growth of 74% to 76% year-over-year. We expect non-GAAP operating loss of $26 million to $25 million.

For the full year 2021, revenues are expected to be in the range of $280 million to $282 million, representing growth of 74% to 75% year-over-year. We expect full year non-GAAP operating loss of $93 million to $91 million and negative operating margin of between 33% and 32% compared to negative operating loss of $86.2 million in 2020 and negative operating margin of 53%.

We believe we can deliver high growth for the foreseeable future as we are addressing a large and growing market that is still very early in its maturity. As a result, we will continue to prioritize investments in the business over near-term profitability, and we continue to make progress against our growth phase target margins.

I'll also note that we intend to be active with regard to Investor Relations and will be conducting a number of non-deal roadshows and started to present at investor conferences in September. With that I'll turn it over to the operator for questions. Operator?

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions). Kash Rangan, Goldman Sachs.



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**Kash Rangan** - *Goldman Sachs - Analyst*

Hi, thank you very much. Lovely day fantastic results and congratulations on the first quarter as a public company. What a great start. Roy, one question for you. You talked about sales and marketing investments.

Can you talk about -- how should we think about how productive did the shift towards more selling and a little bit less marketing as it pertains to sales and marketing is likely to drive traction in the enterprise going forward? Because it certainly seems that you had a great quarter but you're just getting started building out and scaling your sales effort for the enterprise.

And one for you, Eliran. It does look like you made significant progress with operating margin and free cash flow, yet your guidance still calls for a snapback to previous [services] losses. So, just wondering if there's any specific investment you are making in the second half or just trying to keep things conservative and wait till the quarters prove themselves? Thank you so much, congrats.

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**Roy Mann** - *monday.com Ltd. - Co-Founder & Co-CEO*

Hey, Kash, thank you. It's Roy. So, yes, we are putting a lot of emphasis on growing. Like we mentioned before in our -- during the IPO, we have a funnel that is driven by no touch, like we do marketing that we get leads. Those leads become paying customers. And our sales force are addressing those customers after they pay and help them scale.

So, while we invest a lot in marketing, we see that we're doing that in a more efficient way, which is what you can see with the results this quarter. Our approach to new customers is becoming more efficient, while we scale the sales team and its approach to grow our customers way more. So, you see both of these working really well and I think we are, as we mentioned before, seeing our sales team that has been growing the last two years reach more maturity and it's working better and better.

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**Eliran Glazer** - *monday.com Ltd. - CFO*

Kash, hi. This is Eliran. With regards to your question on guidance, so first of all, we are very confident on our guidance and we feel comfortable with the plan that we have to continue to invest aggressively. One of the things that's important for us to say that, while we did very good result in Q2, we are going to continue to invest aggressively in the second half of the year in order to generate additional hyper growth at scale.

Just in terms of numbers, our capital efficiency is well above 2.5. Just as a reminder, for every dollar that we invest (inaudible) section, we basically generate more than $2.5 in terms of ARR. So, there is a huge opportunity; it is a greenfield market. Therefore, we would like to ensure we don't pass this opportunity and continue to invest.

And there are going to be additional costs. We are going to continue to hire aggressively in sales and marketing, R&D. We are going to have the full impact of our new headquarters in Tel Aviv. We are going to continue to invest across other places in the organization. Hopefully we are going to see some of that continued growth as we continue to go forward. Does this answer your question, Kash?

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**Kash Rangan** - *Goldman Sachs - Analyst*

Absolutely. Great start. Congratulations. Thank you so much.

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**Operator**

Mark Murphy, JPMorgan.

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**Matt Coss** - *JPMorgan - Analyst*

Good morning. This is Matt Coss on behalf of Mark Murphy. I will add my congratulations on the quarter. Can you talk to us about the distribution of new use cases by prepackaged solutions versus someone using monday to build something completely from the ground up? And then maybe you can help us understand how many of your customers who have adopted prepackaged solutions are using the low code/no code advantages of the platform to really customize their application.

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**Eran Zinman** - *monday.com Ltd. - Co-Founder & Co-CEO*

Sure. This is Eran. Can you just repeat the first part of the question, please?

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**Matt Coss** - *JPMorgan - Analyst*

Yes. So, if you have a sense of your customers using monday.com, new customers buy a prepackaged solution versus using monday to build their own application from the ground up.

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**Eran Zinman** - *monday.com Ltd. - Co-Founder & Co-CEO*

Yes, okay. So, this is Eran. So, basically the majority of our customers usually start with one use case and then over time expand to more use cases. I would say the vast majority start with a prepackaged solution, just because usually the way it works is that usual search for a very specific problem they're trying to solve. And this is kind of how we lead them through the ongoing process.

But I think the interesting part of that, over time, we see two trends. One is further customizing their existing solution, meaning matching that to their need. But then finding more and more product solutions they can use and expanding the usage within the organization. And also building their own kind of solutions on their own, their own templates and use cases.

In terms of the low code/no code, so basically everybody using monday essentially is using no code capability, building the board itself and customizing the coms is essentially, if you think about it, building a database to capture data. And as we disclosed during the IPO process, over 90% of our customers use automation and integration. So, it's pretty popular within enterprise accounts. So, I would say, broadly speaking, every customer of monday is leveraging our no code and low code capabilities.

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**Operator**

Brent Thill, Jefferies.

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**Brent Thill** - *Jefferies LLC - Analyst*

Thank you. I was curious if you could spend a little more time on the enterprise traction and maybe provide some examples of where you're staying great traction. I think maybe if you could also talk about your largest deployment and give us a little more color in terms of how that buildout is going.

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**Eran Zinman** - *monday.com Ltd. - Co-Founder & Co-CEO*

Yes, so we see very high growth in the customers over 60,000, over 226% year-over-year growth. From our side of the Company, this is a strategic part of our business going forward. We do invest heavily into the no touch and bring in new pay customers into our funnel.



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But at the same time, as we mentioned at the beginning of the call, we invest heavily into making the product better for enterprise customers, keep adding features and capabilities. And this part of the business is growing significantly faster than the whole of the business. Those customers demonstrate very high net [call] retention numbers, they expand more and we are keeping and launching new features to that part of the business going forward.

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**Roy Mann** - *monday.com Ltd. - Co-Founder & Co-CEO*

Yes, it's Roy. I can add that in enterprise we are focusing on security control features and governance. And that's basically enabling us to get into larger customers. They want it and we need to just open the door right now with enabling all those things. And that's where our biggest focus is product wise.

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**Brent Thill** - *Jefferies LLC - Analyst*

Great. And just curious if there were any geographic trends that you're seeing that are different between the US, EMEA and APAC. Anything stand out? There has been a lot of questions as it relates to the return to the office as some people have been coming back in. Have you seen any noticeable differential in customer behavior? Obviously the numbers suggest that it doesn't really matter what environment we are in for you guys right now given the great growth. But any color on that would be helpful.

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**Eliran Glazer** - *monday.com Ltd. - CFO*

So, as a reminder, we enjoyed hyper growth before COVID and we expect to continue to grow hyper scale also post COVID. Hopefully it will come soon. As a reminder, we see the breakdown -- geographical breakdown, 52% of our revenue is outside of the US, 38% is in the US. 70% of our customers are non-tech. And we even added another language to our platform which is Polish. Now we have 14 languages.

So, what you see is basically we are expanding within existing customer base in the geographies we already operate in. But as a reminder, we also have our partner channel that, in places where we don't have the sales force to expand within the visibility of our partner -- partner's ecosystem. And this helps us to gain additional markets where we don't operate holistically through this channel.

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**Operator**

Bhavan Suri, William Blair.

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**Bhavan Suri** - *William Blair - Analyst*

Let me echo my congrats. That is a great quarter out of the gate. I guess I want to touch on the enterprise traction. You have added more than 100 customers to the 50,000-plus ARR. I guess I'm trying to understand how much of this do you attribute to the product getting more sophisticated, it's ability to handle complex workflows? Or do you think it's more driven by the fact that direct sales motion and customer adoption is maturing. How would you balance those two?

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**Eran Zinman** - *monday.com Ltd. - Co-Founder & Co-CEO*

So, my short answer will be both. I think we've seen the combination of two forces. One is obviously the fact that we -- between our sales team, we had more sales reps in our Company and they are becoming more experienced. So, this is one part of this effect. The second part is that we invested heavily into the product for enterprise accounts and we're [keeping] to do that. So, we're doing a lot on that front just to make the product more scalable.



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And we see that, as we progress, larger and larger accounts are able to adopt monday. And another very interesting trend that we see is that every sales cycle that (inaudible) within existing accounts is for another sales cycle. So, it's like a never ending process of finding new use cases, new departments that can use monday. So, it's not like a one-time deal that you sign off, but more of a process. So, that's where we get larger and larger accounts using us.

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**Bhavan Suri** - *William Blair - Analyst*

Got you, got you. And then I want to touch a little bit on the freemium offering. I'd love to understand -- and you gave some great color, but I'd love to understand what impact have you see, on the top of the funnel because of freemium? And then it makes sense to me that they'll grow, but have you seen any customers downgrade at all saying, hey, I've only got a small handful, maybe I'll go to freemium? Have you seen that motion at all, the reverse of what we would like to happen? Thank you.

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**Eran Zinman** - *monday.com Ltd. - Co-Founder & Co-CEO*

Sure, so this is Eran again. So, this is very exciting for us. So, as we launched this free tier, we see that it just adds more customers that use monday. It didn't hurt or cannibalize our existing convert into payment in terms of acquiring new customers, but it increased the top of the funnel for the Company. And we didn't see any impact on our existing customers. So, customers are not reducing their plans or anything like that.

One thing that is super interesting -- but again this is still very early days, but we've now seen a new type of funnel being created of [freemium accounts] that over time -- and again, we see early signs of this, converting to paying companies. So, I think this will increase the exposure of monday as a tool, what we offer and the amount of people that are exposed to its capability and how they can use it.

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**Roy Mann** - *monday.com Ltd. - Co-Founder & Co-CEO*

I would just add that our free tier is now limited to only two users. So, it's not really impacting the larger customers, it's just a way to keep on using us and use us for those type of chooser plan. So, like two user plan.

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**Bhavan Suri** - *William Blair - Analyst*

Got you, got you. That is very helpful. Thanks for the color, gentlemen, and congrats again.

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**Operator**

Brent Bracelin, Piper Sandler.

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**Brent Bracelin** - *Piper Sandler - Analyst*

Thank you and good morning -- or should I say good afternoon. I wanted to go back to the growth divers of the business. Growth accelerated here to 94%. You are taking your full-year outlook up to 75% growth for the year. I think we were at 60% kind of going into the quarter. So, as you look at just the overall business, what's performing better?

It sounds like enterprise is strong, existing customers is strong. Is that the main driver here giving you optimism, just stronger adoption and expansion than you expected? Is it broad-based, is there a particular region or segment of the business that is outperforming? It just seems like the business here is much stronger. Your optimism is much higher. Trying to understand what the primary kind of rank order drivers here of the business are. Thanks.



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**Eliran Glazer** - *monday.com Ltd. - CFO*

Basically I think everything that you said, it is all of the above. So, obviously our growth was being driven by long-term secular tailwinds and momentum in the space and the category. And there is a combination of the following. There is new customers that we continue to add to our platform. There is obviously an expansion within our existing customer base, high quality and which can be demonstrated from our net dollar retention rate, which is now over 125%. As a reminder, it was 121% in Q1.

And we're also seeing, obviously, the enterprise momentum and the motion of 470 enterprise accounts, up 226% year-over-year. And the indications that we are seeing is basically that it continues to trend up. And I believe that [that is a fuel] of Monday. The fact that we are a market leader, the brand awareness hopefully also supported by the IPO. The [forward] motion that was mentioned by Eran and Roy, we kind of had (inaudible) organization mid-2018.

So, now we see the fruits of this investment. So, all the things -- combination of all these things are creating our optimism with regards to -- to this growth and potentially continuous growth.

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**Brent Bracelin** - *Piper Sandler - Analyst*

Great to hear there and appreciate that color. I guess on the flipside of that, operating losses have narrowed meaningfully in the quarter. It looks like your guidance suggests that operating losses here could continue to narrow. Is that a function of just not being able to hire as aggressively as you would like?

I know it's a tight labor market right now. Or is there something structurally more efficient about your sales and marketing spend where you feel you can drive this hyper growth without aggressively investing as much as you have in the past? Just trying to understand why you are kind of narrowing the operating loss here for the second half of the year. Thanks.

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**Roy Mann** - *monday.com Ltd. - Co-Founder & Co-CEO*

So, as I mentioned earlier, Brent, we are not trying to optimize costs. Actually we are going to continue and invest aggressively. But definitely we see some efficiencies within our sales and marketing investment. But we will continue to invest aggressively. I don't want to think about it as an indicated kind of direction as we are operating in accordance with what we presented in our growth phase model.

We are going to see further additional costs, I believe, in the second half of the year. As I mentioned, we just moved to the new building. We are going to continue to hire aggressively. Even though there are some challenges with hiring, we are still hiring very well. And there are going to be salary increases. We are going to have events by the end of the year.

So, I think we are going to be costs that really are going to be incurred in the second half of the year. But obviously we are working in accordance with our growth phase operating model.

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**Brent Bracelin** - *Piper Sandler - Analyst*

Helpful color. Great to see the momentum in the business. Thank you.

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**Operator**

Ittai Kidron, Oppenheimer.

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**Ittai Kidron** - *Oppenheimer - Analyst*

Hey guys, great quarter out of the gate, good stuff. I wanted, maybe Roy and Eran, to talk about workdocs, the announcement you made today, if you could give us a little bit more color. And more interestingly, how does that work its way into your pricing plans? What are the odds that within the next 12 to 18 months you actually raise prices across your plans?

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**Roy Mann** - *monday.com Ltd. - Co-Founder & Co-CEO*

Yes, it's Roy. So, that's super exciting, the workdocs. So, we are -- essentially we see a lot of starting points for Monday in our Monday boards where it's a very structured way of information. And the documents essentially allow customers to start with an unstructured way, right? Like you start something and then usually it stops with old fashion docs. With monday we saw a massive opportunity with continuing that work on the platform, adding more people.

So, we see this as a new way for customers to start using monday. So, the docs, as you asked, are accessible to everyone. We don't want to limit that by pricing tier and those kinds of limitations because we want everyone to start. We will in the future consider adding more tiers into the documents for extended functionality, but we don't have that now.

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**Eran Zinman** - *monday.com Ltd. - Co-Founder & Co-CEO*

And if I can add, Ittai, this is Eran. So, another point that's super interesting is the combination between [growth] and workdocs. So, the fact that you can embed into a workdoc a board where you can actually change the board from within the dock, (inaudible) and have several people working together in this very intuitively and in real time is, again, a power multiplier in terms of [to] and vice versa.

You can have a dock within a port. So, combining those two products together I think will generate very exciting ways that our customers can leverage the power of both.

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**Ittai Kidron** - *Oppenheimer - Analyst*

Great. Maybe as a follow-up, if you could update us on right now how big is your largest deployment, how many seats are in your largest deployment?

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**Eliran Glazer** - *monday.com Ltd. - CFO*

Frankly, currently it is 7,000 seats. This is a customer that we have, this is the biggest account we currently have.

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**Ittai Kidron** - *Oppenheimer - Analyst*

Got it. Excellent. Good stuff. Thanks.

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**Operator**

DJ Hynes, Canaccord.

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**DJ Hynes** - *Canaccord Genuity - Analyst*

Great start here, thanks for taking the questions. Just one from me. I'll direct it at Eran, but anyone feel free. I was hoping you could talk a little bit about coexistence with other work management tools in your large enterprise accounts. I look at Fortune 500 penetration for guys like Smartsheet, Asana, yourselves. There's clearly overlap there.



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So, hoping you could talk about how you see this playing out. Will there always be room for multiple vendors in these large accounts? Or do you think they consolidate around a single vendor over time? And how do you position monday to be that vendor?

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**Eran Zinman** - *monday.com Ltd. - Co-Founder & Co-CEO*

Thanks DJ. It is Eran. It's a great question. Overall main account is a Work OS. So, essentially there's a lot of things that could build within monday, but one of the key things that were super important for us being a Work OS is to integrate really well with other tools. So, essentially our goal is not to replace all tools within the organization, but to be a place where people can build stuff and manage a lot of the core functionality within monday.

But any app that an organization already uses can be integrated into monday. Data can be presented within Monday, you can change things and data can be synced back into a third-party application. So, essentially it our philosophy is to work well with everybody.

We are not trying to replace everything within an organization, so I don't think it is a point of consolidation. But very likely positioned in a way that we're kind of the [work customization], the backbone that connects everything within an organization, if it makes sense.

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**DJ Hynes** - *Canaccord Genuity - Analyst*

Perfect. Thank you guys, congrats on the start.

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**Operator**

Derrick Wood, Cowen and Company.

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**Derrick Wood** - *Cowen and Company - Analyst*

Great, thanks for taking my questions and congratulations on my end as well. Maybe first one for Eliran. The enterprise net revenue retention rate you mentioned was 125%, up from 121% last quarter. Could you unpack how much has come from improvements in gross retention and how much is from stronger expansion trends?

And then speaking about expansion, project management is a core area for you. But we get a lot of questions from investors, what are the next most popular two or three use cases and what's growing the fastest. So, if you could comment on that as well that would be helpful.

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**Eliran Glazer** - *monday.com Ltd. - CFO*

Definitely. On the question with regards to use cases, I will defer later to Roy or Eran. But let me start with the net dollar retention rate. So, as a reminder, the core focus for our business is customers with 10-plus users. They include enterprise accounts and accounts that are less than $50,000. What we see is basically a strong expansion within this existing customer base.

And as kind of a proxy to this expansion, if you think about recent cohorts, when we are looking at our cohorts, the recent cohorts -- and this is something we shared historically -- we see that the customers that we have are landing at bigger accounts, so they have a larger ARR and higher retention. And because the net dollar retention population is trailing four quarters -- rated average trailing four quarters, what we see is basically it's catching up.

So, the impact of these cohorts, which are getting much better, are impacting the net dollar retention. And this is the result that you see in our net dollar retention basically getting to 125%. And obviously also impacted by our expansion within enterprise accounts. With regards to use cases -- this is okay, DJ (sic - Derrick), I mean this is -- before I defer to Roy?



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**Derrick Wood** - *Cowen and Company - Analyst*

Yes, perfect.

**Eliran Glazer** - *monday.com Ltd. - CFO*

Roy, I will defer to you on the use cases.

**Roy Mann** - *monday.com Ltd. - Co-Founder & Co-CEO*

Yes. So, I would appreciate if you can repeat the question.

**Derrick Wood** - *Cowen and Company - Analyst*

Yes, it was just that we get questions from investors on what are the most popular two or three use cases outside of core project management in terms of where you guys are seeing the most traction. I know there's a lot of different fronts that you guys compete and offer, but if you had the top two or three that would be helpful.

**Roy Mann** - *monday.com Ltd. - Co-Founder & Co-CEO*

Yes, so that's great. I would say one more that is CRM for smaller use cases up to midsize use cases, we see that as a big trend for us. And also we have a lot of customers that build their own use case. So, they manage -- we have customers from over 190 different business verticals. So, they do -- they run manufacturing plants, some manage clinical [prior] research, run production.

So, it's not project management as much as they run their own processes and they build their own tools to run those processes. So, whatever that might be. And that's more in the workflow process management kind of space.

**Derrick Wood** - *Cowen and Company - Analyst*

Okay, thanks for the color.

**Operator**

Scott Berg, Needham.

**Scott Berg** - *Needham & Company - Analyst*

Hi, everyone. I also echo my congratulations on the strong first post-quarter IPO results. I guess the first question is, and I don't know who wants to take it, but it's on the workdocs, and not specifically the product, but just how you think about pricing more in general going forward.

Today you released the functionality or you talked about the functionality being included in the base price. But do you ever get to a situation, maybe over the next couple years, where you modularize or componentize some of that functionality and sell that as an upsell premium tier versus an all-you-can-eat-today scenario?



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**Eran Zinman** - *monday.com Ltd. - Co-Founder & Co-CEO*

Yes, so thanks, Scott, for your question. This is Eran. So, it's a great question. When we launched workdocs today, our thinking that we wanted to be available in all pricing plans, because the idea was that anything that can drive usage and have more people in an organization that can use monday, it makes sense to be available in all [clients], because essentially we wanted to get everyone on board.

In regards to future thoughts in terms of further pricing and packaging, so this only -- the way we think about future pricing is around packaging in terms of different product solutions that we offer. So, in different industries we have different pricing levels. For example, in CRM we can charge more poor user and other industries as well.

So, our thinking going forward is to package a product more significantly for those product solutions, and then we can add differentiated pricing and perhaps different tiers for those product solutions. So, definitely going forward it is in our roadmap.

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**Scott Berg** - *Needham & Company - Analyst*

Understood. Quite helpful. And then from a follow-up perspective, you all had mentioned partners a couple different times during your script. As we have had a chance to speak with different partners that you're currently starting to engage with, it's still very early in that lifecycle.

But how should we think about partners contributing to the monday.com business maybe over the next two or three or four years? Do they become a substantial part of your go-to-market sales strategy, or will there always be a smaller ancillary opportunity there? Thank you.

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**Roy Mann** - *monday.com Ltd. - Co-Founder & Co-CEO*

Great. It's Roy. So, yes, the partners are a big part of our roadmap going forward. So first of all, like you mentioned, it is helping us with global expansion and places we don't have the sales team on. But also we are working with a lot of them together to offer solutions for larger companies, large enterprises that want to tailor-make the platform connected to other stuff. So, they help us with a lot with professional services.

And many of them also are large contributors to our marketplace, they develop apps and a lot of stuff people across the platform use. So, it's a very -- we have varied partnerships. Obviously not every one are the same, but as a whole the partnership is a big part of our vision going forward.

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**Operator**

Andrew DeGasperi, Berenberg.

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**Andrew DeGasperi** - *Berenberg - Analyst*

Thanks for taking my question and congrats on going public. First I guess I wanted to ask and follow up on the competition question. I know that a lot of other work management tools are also chasing the larger end of the market or the enterprise customer. So, I was just wondering if any of these bids are competitive that you are seeing right now or are they mostly greenfield?

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**Eran Zinman** - *monday.com Ltd. - Co-Founder & Co-CEO*

Anything that we see, this is a huge greenfield opportunity for us on -- this is [something we follow] as part of the IPO. On 70% of the deals we see literally no competition. Usually customers use email and spreadsheets and PowerPoint -- and email to communicate and collaborate. And it just seems that everybody are trying to improve how they work and make it more efficient. It doesn't feel like a greenfield.



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On 30% of the deals we see, I would say, more of a vertical competition. So, if somebody used monday for [CRM] for example, we might compete with SMB focused CRMs. If somebody is using project [development] we might see other competitors in the project management space. But broadly speaking, this is a huge greenfield and there's a huge opportunity to grow within this market.

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**Andrew DeGasperi** - *Berenberg - Analyst*

That's helpful. And just as a follow-up, these other solutions, the CRM, the software development, the HR, it seems pretty unique relative to your competitors and it seems to also, I guess, expand into other end markets that there's some bigger players in like (inaudible) and salesforce. So, I was just wondering are you really just focused on that smaller end of the market with these tools and you don't really see these other larger software companies in that field or those fields?

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**Roy Mann** - *monday.com Ltd. - Co-Founder & Co-CEO*

So, that's a really great question, because we see a lot of those verticals as a go-to-market for us. Like we want to put the foot in the door and get into companies. And as we scale we are partnering and integrating into those larger players, as you mentioned.

Meaning that we see ourselves as unifying the workspace, like creating unified workspaces for companies with no code/low code capabilities and integrations that really connect all those tools you mentioned to the rest of the organization and allowing them to create more workflows with them.

If they want to replace, fine. But usually the bigger pain points are connecting, breaking silos, having people work together. So, it is a two way go-to-market that we land on the smaller use cases and even small size CRMs. And we have a lot of large enterprises that start with a small one on different stuff that they use. So, it's a great foot in the door for us even for enterprises and then we integrate with larger players.

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**Operator**

Ladies and gentlemen, this does conclude today's presentation. You may now disconnect and have a wonderful day.

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